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Honduras

Retail Foods

Retail Food Sector Report

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Report Highlights:

The implementation of the CAFTA-DR agreement and favorable market conditions have resulted in more franchises and supermarkets. The preference for U.S. products has risen steadily over the past few years and further increases are expected. Guatemala, Mexico and Costa Rica are the main competitors in the market.

Post:

Tegucigalpa

Executive Summary:**SECTION I. MARKET SUMMARY****Supermarkets**

The retail sector in Honduras is dominated by three supermarket chains: La Colonia, PriceSmart, and Walmart (Paiz/ maxi despensa). The target markets are high, middle and low income families. The supermarket retailing industry is expanding and has opened stores in various urban locations. The entry of wholesale clubs has forced supermarkets to conduct more aggressive advertising and price discounting promotions for U.S. products.

Supermarkets and wholesale clubs carry a varied inventory of imported food products on a consistent basis, thus accounting for the largest volume of sales of consumer-ready (canned, preserved, processed, frozen, and chilled) food products. Sales of fresh fruits and vegetables continue to rise, as increased investments in the cold chain allow for longer shelf life of perishable items, including sausages, hams, pork cuts, and other deli meat products, which are available year round. Smoked pork and ribs have taken a strong foothold, as prices have become extremely competitive compared to local products and the demand for this type of products has also increased.

Convenience stores

Honduran convenience stores are the only businesses that offer late hour services. Most of these stores are located in the main boulevards of the mayor cities. Convenience stores specialize in fast foods, hotdogs, sandwiches, chicken, and pizza, but also carry high-quality imported goods such as snacks, cookies, assorted candy, chocolates, ice cream, sodas, beer, deli meats, and fruits. Pricing strategies vary among convenience store chains and location, typically ranging from 10 percent above supermarket level prices, to those competing with supermarket pricing on basic food items and beverages.

Traditional markets

There are two types of traditional markets in Honduras. One type is the open air farmers market, where growers and intermediaries sell their products directly to consumers. These markets primarily concentrate on local produce and farm fresh goods and processed food products where prices are much lower than supermarket prices. The second type of traditional market in the country is the mom and pop stores known as pulperias. The mom and pop stores sell mostly snack and prepared foods at a much higher price than the supermarkets, but cheaper than the farmers market.

RETAIL SECTOR ADVANTAGES AND CHALLENGES

ADVANTAGES	CHALLENGES
Close proximity to the United States. Containerized cargo from gateway cities can be transported to Honduras in two to three days. With the lowest logistical costs in the region, Honduras also serves as a distribution platform for the rest of Central America.	Direct competition from other Central American countries, as well as Mexico and Chile.
CAFTA-DR eliminates most tariffs and other barriers for goods destined to the Central American market. It provides protection for investments and intellectual property, and creates more transparent rules for doing business with procedures.	Investment, maintaining macroeconomic stability, and increasing the private sector's competitiveness in order to reap the benefits of free trade agreements', such as CAFTA-DR.
Consumers strongly prefer U.S. products because of their high-quality. Importers prefer trading with U.S. exporters because of reliability.	The current economic situation in the country limits purchasing power and customers are price sensitive.
Among the leading sectors for U.S. exports and investment are fast food outlets, casual dining restaurants, U.S. hotel chains, tourism (to include investment in the prime tourist areas of the Bay Islands and the northern coast of Honduras), food processing and packaging equipment, processed foods, and general consumer goods.	Relative high duties on some products, inconsistent customs valuation practices, and import procedures make it more difficult to enter the market.
Increases in infrastructure and facilities have permitted the year-round availability of U.S. fruits such as apples, pears, and grapes. Direct imports by warehouse outlets have diversified foods imports.	Unclear and occasionally restrictive sanitary and phytosanitary import requirements.

SECTION II. ROAD MAP FOR MARKET ENTRY

Distribution channels in Honduras are similar to those in the United States. Honduras has fewer levels of distribution and a more limited number of specialty, chain, and department stores. New investments in construction of large shopping malls and other smaller mixed-use commercial centers in strategic urban areas, as well as big retail stores such as PriceSmart and HyperPaiz (Wal-Mart), are good indicators of increasing opportunities in the retail distribution sector.

The market for food processing and packaging equipment in Honduras has increased steadily over the past few years and further increases are expected in the years to come. The United States continues to be Honduras' largest supplier of food processing, enjoying a high level of acceptance and reputation for high quality.

Entry Strategy

For marketing purposes, Honduras can be divided into two regions: the northern coast, including San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located. Tegucigalpa and San Pedro Sula are the major

distribution centers for imported goods. A single distributor or representative is sufficient to cover all of Honduras, and they tend to carry broad lines of products on a non-exclusive basis.

Located in the heart of Central America, Honduras is only a two to three hour flight from several U.S. gateway cities and 48 to 72 hours navigation time to ports in the southeastern United States. Ranking among the lowest in relation to logistical costs in the region, Honduras is also a distribution platform for the rest of Central America. Honduras has ports on both the Atlantic and Pacific Oceans that are served by a number of shipping companies linking the country with the United States, Europe, Asia, and the rest of the Western Hemisphere. The northern port of Puerto Cortés, located 34 miles from the industrial city of San Pedro Sula, is Honduras' principal seaport and the largest deep-water port in the region. It manages over 80 percent of the maritime traffic handled by Honduras, plus cargo from El Salvador and Nicaragua.

Price is among the most important selling factors in Honduras. In many cases, Honduran business people buy directly from the source if they feel that the cost-savings is sufficiently advantageous. The local banking system is traditionally conservative and generally extends only limited amounts of credit, though looser monetary policies and increased competition from regional and international banks. U.S. exporters who offer attractive financing terms have the best chance of gaining market share. Most non-agricultural duties were eliminated with the implementation of the United States – Central America – Dominican Republic Free Trade Agreement (CAFTA-DR). The duty assessed by the Honduran government at the time of customs clearance ranges from 0 to 15 percent for select items.

Market Structure

- There are four food distributors: DIAPA, CODIS, Distribuidora Solis, and DIMERC.
- The target population is concentrated in Tegucigalpa and San Pedro Sula. Together, the population of these cities consumes roughly 80 percent of food imports. As U.S. products enjoy a high quality image, there is a growing demand in smaller cities such as El Progreso, La Ceiba, Choluteca, Comayagua, Danli, and in the tourist resort areas of the Bay Islands.
- Honduras' retail food sector is by far the largest market for imported food. Consumers in urban areas shop at open markets, American-style supermarkets, mini-markets, specialty stores, convenience stores, and local “mom & pop” stores. . Retail sales of imported consumer-oriented products are conducted mostly by supermarkets, mini-markets, and convenience stores. However, pulperias in Tegucigalpa and San Pedro Sula also sell imported products, mostly snacks.

A. SUPERMARKET PROFILE

Supermarkets in Honduras are reticent to release exact sales information. Therefore, sales have been categorized as follows:

A: More than \$150 million

B: \$101 - \$150 million

C: \$76 - \$100 million

D: \$26-\$75 million

E: \$11 - \$25 million

F: Less than 10 million

Name of Retailer	Ownership	Current Stores	Estimated annual sales	Locations	Purchasing Agent Type
La Colonia Supermarket	Local	33	A	Tegucigalpa, San Pedro Sula and other cities	U.S. Broker/Importers/Direct
Junior Supermarket	Local	2	F	San Pedro Sula	U.S. Broker/Importers/Direct
PriceSmart Wholesale Club	U.S.	3	A	Tegucigalpa, San Pedro Sula	U.S. Broker/Importers/Direct
Hiperpaiz/Hypermart / Despensas	Local/Wal-Mart Central America Group	82	A	Tegucigalpa, San Pedro Sula and other cities	U.S. Broker/Importers/Direct
Comisariato Los Andes, Supermarket	Local	1	E	San Pedro Sula	U.S. Broker/Importers/Direct
Mas x Menos Supermarket	Local	1	F	Tegucigalpa	U.S. Broker/Importers/Direct
YIP Supermarket	Local	1	F	Tegucigalpa	U.S. Broker/Importers/Direct
Stock Wholesale Store	Local	1	E	Tegucigalpa	U.S. Broker/Importers/Direct
Colonial Supermarket	Local	4	F	San Pedro Sula	U.S. Broker/Importers/Direct
La Economica Supermarket	Local	1	F	San Pedro Sula	U.S. Broker/Importers/Direct
ELDON's Supermarket	Local	1	F	Roatan, Bay Island	U.S. Broker/Importers/Direct
Supermercados La Antorcha	Local	10	D	San Pedro Sula, Tegucigalpa and other cities	U.S. Broker/Importers/Direct
Supermercado Selecto	Local	1	F	San Pedro Sula	U.S. Broker/Importers/Direct

Trends and Highlights

- Supermarkets now offer a variety of services, from banking and pharmacies to food courts and dry cleaning. La Colonia Supermarket is the only supermarket in Honduras that offers credit card services to their customers. When using the store issued card, the customer receives a 10 percent discount on all store-related purchases.

B. CONVENIENCE STORES/ GAS MARTS

Gas station chains in Honduras are reticent to release exact sales information. Therefore, sales have been categorized as follows:

A: More than \$150 million

B: \$101 - \$150 million

C: \$76 - \$100 million

D: \$26-\$75 million

E: \$11 - \$25 million

F: Less than 10 million

Name of Retailer	Ownership (Local/Foreign)	Number of Gas stations	Estimated annual sales	Location	Purchasing Agent
TEXACO	Local & US	93	D	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
DIPPSA	Local & Swiss	142	C	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
PUMA	Local	54	E	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
SHELL	Local, British & Holland	63	E	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
UNO	Local	47	E	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor

Trends and Highlights

- Larger convenience store chains now lease space to fast-food restaurants, such as Wendy's and Express Americano coffee shops for drive-thru and carry-out services.
- Stores carry a greater variety of basic groceries, such as milk, cheese, eggs and bread, and ready-made dinner items, in an effort to appeal to working parents with limited time to cook meals at night.
- Wines and spirits are being promoted having individual stands trough out the stores.

C. TRADITIONAL MARKETS

There are two types of traditional markets in Honduras; the open air markets and the mom and pop stores also known as pulperias. Both traditional markets have played an important role in the Honduran society because it's the preferred place to buy goods by middle and lower-income consumers.

Each town has at least one open air market; Tegucigalpa has sixteen and San Pedro Sula has seventeen open-air markets. These markets are primarily focused on the distribution of local products, such as farm fresh fruits, vegetables, staple grains, red meats, pork, poultry, eggs, and fish products. Major distributors also offer t processed products, such as breakfast cereals, canned tuna, ketchup, mayonnaise, cookies, and milk at prices much lower than the supermarkets. Most open air market stands are only a

couple of square meters in diameter and operate daily, while some are only open on Fridays and Saturdays.

The second store type is the mom and pop stores. There are more than two thousand pulperias in the capital city and the wholesalers distribute products to these stores at least twice a week. Most products found on a pulperias are non-perishable and low cost items, such as snack foods and processed products like milk, canned tuna, and cookies. Mom-and-pop store prices are usually higher than supermarket prices, but most customers are low income consumers who can only afford to buy small individually packaged quantities. Most mom-and-pop stores are open every, and carry an average inventory of \$500 to \$1,000.

Trends and Highlights

- Products entering the open-air markets should be low cost and handled through a wholesaler.
- Products entering the mom-and-pop stores must be relatively non-perishable and low-cost items.
- Traditional markets pull much of their product from farmers and small wholesalers.
- Small mom-and-pop stores have a higher price per unit than supermarkets.

SECTION III. COMPETITION

U.S. total agricultural exports to Honduras totaled \$ 644.5 million in 2014.

Product Category	Major Supply Sources	Strengths of Key Supplying Countries	Advantages and Disadvantages of Local Suppliers
Prepared Food Net imports: 115,483 MT World imports: US\$306 million Imports from the United States US\$41 million	1. Guatemala, 23% 2. Costa Rica, 20% 3. United States, 13%	A. The free trade agreement has allowed Guatemala imports to increase their presence in the market with competitive prices. B. Close proximity to producers and exporters.	Consumers are price sensitive. There is a decrease in local investment for prepared foods due to high labor costs.
Dairy Products Net imports: 24,538 MT World imports: US\$59 million Imports from the	1. United States, 32% 2. Costa Rica, 19% 3. Guatemala, 14%	A. High quality products are preferred by the consumers with well positioned brands. B. Close proximity to producers and exporters. C. Strong in ice cream, sweet condensed milk and canned milk	Local suppliers are trying to increasing domestic production, but the prices remain high compared with neighboring countries.

United States US\$19 million		powder.	
Fresh Fruits Net imports: 101,342 MT World imports: US\$41 million Imports from the United States US\$17 million	1. United States, 41% 2. Mexico, 22% 3. Chile, 15%	A. the CAFTA-DR agreement benefits imports from the U.S. and Mexico. B. Apples, grapes and pears have position themselves very strongly in the Honduran market.	Most of the imported fruits are not produces locally like apples and grapes for example.
Condiments and Sauces Net imports: 22,603 MT World imports: US\$42 million Imports from the United States US\$13 million	1. Costa Rica, 33% 2. United States, 31% 3. Guatemala, 17%	A. Sauces like ketchup have increased in the las couple of years due to the growth in the fast food industry in the country. B. Packaging benefits of the product and presentation.	Local Production insufficient to supply demand.
Snack Foods Net imports: 33,689 MT World imports: US\$62 million Imports from the United States US\$10 million	1. El Salvador, 31% 2. Guatemala, 26% 3. México, 21% United States, 16 %market share on imports	A. The free trade agreement between North America and Central America has allowed El Salvador, Guatemala and Mexico imports to increase their presence in the market. B. Price is competitive. C. Packaging benefits of the product and presentation.	Honduras local production in mainly to satisfy the demand of plantain chips and some potato based snacks
Processed Vegetables Net imports: 28,774 MT World imports: US\$31 million Imports from the United States US\$15 million	1. United States, 48% 2. Costa Rica, 26% 3. Guatemala, 7%	A. The proximity and quality is a key role to the top imported process vegetables which are: potatoes, tomatoes and beans B. Price is competitive. C. Guatemala started to provide fresh vegetables such as carrots, broccoli, lettuce, tomatoes, cauliflower and cucumbers.	Honduras does not produce frozen vegetables
Chocolate & Cocoa Products	1. United States, 43%	A. the CAFTA-DR agreement benefits imports from the U.S., Mexico and	Local production not enough to satisfy local demand.

Net imports: 4,355,324 KG World imports: US\$14 million Imports from the United States US\$6 million	2. Mexico, 21% 3. Guatemala, 14%	Central America. B. High quality of product preferred by the consumers C. Packaging benefits of the product and presentation.	New incentives are being proposed by the local government to produce high quality cacao for exporting purposes.
Wine and Beer World imports: US\$18 million Imports from the United States US\$9 million	1. United States, 50% 2. Mexico, 22% 3. Chile, 6%	A. Imported beer has become a trend in the local market. B. Chilean wines enjoy an excellent reputation in the Honduran market. C. High quality of product preferred by the consumers	Local beer production has not produced any varieties of product and has remained the same with only four different beer brands in many years. Honduras does not produce wine in commercial amounts.

Source: BICO, U.S. Census Bureau Trade Data, United Nations Commodity Trade Statistics.

SECTION IV. BEST PRODUCT PROSPECTS

Product Category	2014 Imports Market Size (Volume)	2014 Total Imports US\$ (Millions)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate per CAFTA-DR	Key Constraints Over Market Development	Market Attractiveness for USA
Pork and Pork Products	16,860 MT	42	15%	Pork Carcass, jam, bacon and pork offal pay 10.2% tariff under CAFTA-DR and 0% Value added tax. Specialized cuts for pork products pay 10.2% tariff under CAFTA-DR and 15% Value added tax.	Competition from Canada, Guatemala and Costa Rica in a lesser scale.	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products. Rapidly developing retail & HRI sector.
Prepared Food	115,483 MT	306	7%	Prepared foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Guatemala, Costa Rica, México, El Salvador, Uruguay, Chile and Denmark.	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products. Rapidly developing retail & HRI sector.
Dairy Products	24,538 MT	59	4%	Under CAFTA-DR Tariff Rate Quotas have zero	Competition from Costa Rica,	<ul style="list-style-type: none"> Consumers have strong preferences for

				in-quota percent tariff for Milk Powder, Butter, Cheese, Ice Cream, Butter and Other Dairy Products. Outside the Quotas all dairy products pay 15% tariff Under CAFTA-DR and 0% to 15% depending on the product type for Value added tax.	Guatemala, Nicaragua, New Zealand, El Salvador and Germany.	<ul style="list-style-type: none"> U.S. products. Rapidly developing retail & HRI sector.
Fresh Fruits	101,342 MT	41	6%	Almost all U.S. fresh fruit products pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Chile, Mexico, Guatemala, Costa Rica, Nicaragua, Spain and Peru.	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products. Rapidly developing retail & HRI sector.
Poultry Meat and Products	14,153 MT	25	7%	Under Quota imports, whole chickens, chicken breasts and wings pay 0% tariff under CAFTA-DR and 0% Value added tax; MDM pay 0% tariff under CAFTA-DR and 15% value added tax.	Competition from local production, El Salvador, Guatemala, Panama, Costa Rica and China.	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products. Rapidly developing retail & HRI sector.
Condiments and Sauces	22,604 MT	42	6%	Condiments and spices pay 0% tariff under CAFTA-DR and 15% Value added tax; Sauces pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from local production, Costa Rica, Guatemala, Mexico, El Salvador, Spain, United Kingdom and Honk Kong.	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products.
Snack Foods	33,689 MT	62	6%	Snack foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from, El Salvador, Guatemala, México, Costa Rica, Colombia,	<ul style="list-style-type: none"> Consumers have strong preferences for U.S. products.

					Nicaragua, Argentina and China.	
Processed Vegetables	28,774 MT	31	3%	Process vegetables pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Costa Rica, Guatemala, Chile, México, China, Belgium, El Salvador, Canada, Netherlands and Spain.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Chocolate & Cocoa Products	4,355,324 KG	14	9%	Chocolate & Cocoa Products pay between 2.5% and 5% tariff under CAFTA-DR and 15% Value added tax.	Competition from México, Guatemala, El Salvador and Costa Rica.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products.
Wine and Beer		18	7%	Wines pay 0% under CAFTA-DR plus 18% Value added tax; Beer pay 5% tariff under CAFTA-DR and 18% Value added tax.	Competition from Mexico, Netherlands, Costa Rica, Chile, and Spain.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.

Source: BICO, U.S. Census Bureau Trade Data, United Nations Commodity Trade Statistics.

Import Tariff Rate: Customs and Tax Directorate (DEI) web site

<http://sarahweb.dei.gob.hn/SarahWeb/default.aspx>

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report, or need assistance exporting to Honduras, please contact:

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